




BUDGET MEMO #32

DATE: April 22, 2013

TO: The Honorable Mayor and Members of the City Council

FROM: David Hodgkins, Director of Finance/Assistant City Manager
Jennie Tripoli, Assistant Director of Finance

THROUGH: Robert Sisson, City Manager 

SUBJECT: Regional Retirement Contributions

City Council requested more information on the reasons certain jurisdictions experienced different increases or even a decrease in their retirement contributions compared to the City of Fairfax.

Background: The City of Fairfax implemented the 5% VRS law completely in fiscal year 2013, and in addition, provided for a 5% merit for eligible public safety employees, a 3.5% merit for eligible general employees, and a 1% COLA for all employees. For fiscal year 2014, the actuarial assumptions for the City's supplemental plan resulted in a large increase in the contribution percentages needed to keep the plan healthy.

Staff communicated with several jurisdictions, and learned the following information:

- Prince William County is phasing-in the 5% VRS law; fiscal year 2014 is the second year of the phase-in. Also, they are forecasting an increased percentage of employees in VRS Plan 2, which has a lower VRS cost at 13.70% versus VRS Plan 1 employees, with a cost of 16.70%. VRS Plan 2 employees are those hired after or not vested in Plan 1 as of July 1, 2010.
- Loudoun County implemented the 5% VRS law entirely in fiscal year 2013; however, they did not provide for any merits or COLAs, or any other change in base pay for their employees in 2013. As 2013 is the only year showing a decrease, it skews the average to the negative.
- Arlington County made a significant change to their retirement contributions at the beginning of 2009, which is not included in the analysis done by Staff; therefore, Arlington's rate of increase is less dramatic than the rates for the other jurisdictions that made significant changes to their contributions between 2010 and 2014. Arlington used to contribute, based on gross pay (which included overtime and other premiums), 19.8% for public safety employees and 9.8% for general employees into their defined benefit plans. The County also contributed 4.2% into a defined contribution plan for general employees only. Effective 1/1/2009, the County increased the percentages contributed to the defined benefit plans, but based those contributions on base salary. The 2014 defined benefit plan contribution percentages are 38.4% for public safety and 16.6% for general employees, plus 4.2% into the defined contribution plan for general employees only.

- The City of Falls Church participates in its own plan, and not VRS. Their plan experienced significant losses in 2008 and 2009 (approximately 25%), resulting in the need for increased contributions in the following years. The City of Falls Church also budgeted for new actuarial assumptions, which require an increase in contributions.

Below are the tables from the original budget memo for reference.

Jurisdiction	Year	Employer Retirement Contributions Budgeted	% Annual Change from FY10 to FY14
City of Fairfax	2014	5,446,246	10.33%
City of Fairfax	2013	3,558,053	
City of Fairfax	2012	4,646,546	
City of Fairfax	2011	4,404,108	
City of Fairfax	2010	3,675,615	

City of Alexandria ¹	2014	44,400,000	9.22%
City of Alexandria	2013	41,200,000	
City of Alexandria	2012	35,500,000	
City of Alexandria	2011	32,900,000	
City of Alexandria	2010	31,200,000	

City of Falls Church ²	2014	2,065,732	24.76%
City of Falls Church	2013	1,740,214	
City of Falls Church	2012	1,552,381	
City of Falls Church	2011	1,260,220	
City of Falls Church	2010	852,717	

Fairfax County	2014	154,392,889	12.82%
Fairfax County	2013	151,466,362	
Fairfax County	2012	134,644,491	
Fairfax County	2011	116,442,783	
Fairfax County	2010	95,306,930	

1 - Alexandria is phasing in the 5% VRS employee contribution

2 - Falls Church's Constitutional Officers and School Board participate in VRS and the City's Plan. All other employees participate only in the City's Plan.

Jurisdiction	Year	Employer Retirement Contributions Budgeted	% Annual Change from FY10 to FY14
Arlington County	2014	56,735,004	3.77%
Arlington County	2013	52,467,950	
Arlington County	2012	51,341,542	
Arlington County	2011	49,346,235	
Arlington County	2010	48,926,681	

Loudoun County ³	2014	20,730,447	-1.46%
Loudoun County	2013	19,791,200	
Loudoun County	2012	23,677,637	
Loudoun County	2011	22,566,588	
Loudoun County	2010	21,985,687	

Prince William County ³	2014	25,979,026	3.60%
Prince William County	2013	28,383,814	
Prince William County	2012	24,541,396	
Prince William County	2011	25,180,548	
Prince William County	2010	22,555,685	

3 - Prince William and Loudoun Counties participate only in VRS. There are no other retirement plans to which the Counties contribute. Prince William County is phasing in the 5% VRS employee contribution.